

## SENATE BILL NO. 2

INTRODUCED BY E. STONINGTON

BY REQUEST OF THE REVENUE AND TAXATION INTERIM COMMITTEE

A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING A RESIDENT TAXPAYER A CREDIT FOR TAXES PAID IN ANOTHER STATE OR COUNTRY FOR THE TAXPAYER'S PRO RATA SHARE OF INCOME TAXES PAID BY AN S. CORPORATION IN ANOTHER STATE OR COUNTRY; AMENDING SECTION 15-30-124, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

**Section 1.** Section 15-30-124, MCA, is amended to read:

**"15-30-124. Credit allowed resident taxpayers for income taxes imposed by foreign states or countries.** (1) Subject to the ~~following~~ conditions provided in subsections (2) through (5), ~~residents a~~ resident of this state ~~shall be~~ is allowed a credit against the taxes imposed by this chapter for:

(a) income taxes imposed by and paid to another state or country on income taxable under this chapter; and

(b) the resident's pro rata share of any income tax imposed by and paid to another state or country by an S. corporation of which the resident is a shareholder.

~~(1)(2)~~ The credit ~~shall be~~ is allowed only for taxes paid to ~~such other~~ another state or country on income derived from sources within ~~such the other~~ the other state or country ~~which that~~ is taxable under the laws of ~~such the other~~ the other state or country ~~irrespective~~ regardless of the residence or domicile of the ~~recipient~~ taxpayer.

~~(2)(3)~~ The credit ~~shall~~ is not be allowed if ~~such the~~ the other state or country allows residents of this state a credit against the taxes imposed by ~~such the other~~ the other state or country for taxes paid or payable under this chapter.

~~(3)(4)~~ The allowable credit ~~shall~~ must be computed by a formula ~~to be~~ prescribed by the department.

(5) For the purposes of the credit under subsection (1)(b):

(a) "income tax" has the same meaning as provided by Article II of 15-1-601;

(b) the S. corporation must have made and have in effect on the last day of its tax year a valid election under subchapter S. of Chapter 1 of the Internal Revenue Code; and

(c) the credit applies only to taxes paid by the S. corporation on income taxable under this chapter."

**NEW SECTION.** **Section 2. Effective date.** [This act] is effective on passage and approval.

NEW SECTION. **Section 3. Retroactive applicability.** [This act] applies retroactively, within the meaning of 1-2-109, to tax years beginning after December 31, 1996.

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